

FISCAL NOTE

Bill #: HB768

Title: Prescription drug tax credit

Primary Sponsor: Holly Raser

Status: As Introduced

Sponsor signature	Date	Chuck Swysgood, Budget Director	Date
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Fiscal Summary

FY 2004 Difference

FY 2005 Difference

Expenditures:

General Fund

\$0

\$22,616

Revenue:

General Fund

\$0

\$(5,400,000)

Net Impact on General Fund Balance:

\$0

\$(5,422,616)

- | | |
|---|---|
| <input type="checkbox"/> Significant Local Gov. Impact | <input type="checkbox"/> Technical Concerns |
| <input type="checkbox"/> Included in the Executive Budget | <input checked="" type="checkbox"/> Significant Long-Term Impacts |
| <input type="checkbox"/> Dedicated Revenue Form Attached | <input checked="" type="checkbox"/> Needs to be included in HB 2 |

Fiscal Analysis

ASSUMPTIONS:

1. Under this bill, qualifying taxpayers age 65 and older may receive a *refundable* credit for the actual out-of-pocket expenses incurred for insulin or prescription drugs or medicine equal to 50% of the amount paid, up to a maximum credit of \$300. The credit applies beginning with tax year 2004. There is no impact from this credit in fiscal year 2004, and the full impact of the first year's credit will occur in fiscal year 2005.
2. For single and head of household taxpayers the full credit is allowed only for households with incomes up to \$22,500; and is then reduced by \$1 for every \$5 of income over \$22,500 so that no credit is allowed for households with incomes in excess of \$24,000. For married couples the full credit is allowed only for households with incomes up to \$36,000; and is then reduced by \$1 for every \$5 of income over \$36,000 so that no credit is allowed for married couple households with incomes in excess of \$37,500.
3. Based on an examination of Census 2000 and individual income tax database information, there are 54,000 persons age 65 or older with incomes that qualify them for the credit. Utilization rates for this credit will be high with one-third of all eligible persons using the credit in the first year of the program, half of all eligible persons using the credit in the second year of the program, and two-thirds of all eligible persons using the credit in the third and subsequent years of the program. All persons using the credit will take the maximum credit of \$300.
4. The above assumptions result in tax credits of \$5,400,000 for tax year 2004 (fiscal year 2005); \$8,100,000 for tax year 2005 (fiscal year 2006); and \$10,800,000 for tax year 2006 (fiscal year 2007).

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5. Beginning in fiscal year 2005, the Department of Revenue would need an additional 0.5 auditor FTE to audit the filing associated with this credit. Administrative expenses would increase a total of \$22,616 in that year.

<u>FISCAL IMPACT:</u>	<u>FY 2004</u> <u>Difference</u>	<u>FY 2005</u> <u>Difference</u>
FTE		0.5
<u>Expenditures:</u>		
Personal Services		\$15,326
Operating Expenses		\$1,490
<u>Equipment</u>		<u>\$5,800</u>
TOTAL		\$22,616
<u>Funding of Expenditures:</u>		
General Fund (01)		\$22,616
<u>Revenues:</u>		
General Fund (01)		\$(5,400,000)
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>		
General Fund (01)		\$(5,422,616)

EFFECT ON COUNTY OR OTHER LOCAL REVENUES OR EXPENDITURES:

No impact.

LONG-RANGE IMPACTS:

General fund revenues would be reduced an estimated \$8,100,000 in fiscal year 2006; and \$10,800,000 in fiscal year 2007.